



## Second-Hand Frenzy: Is the resale market as sustainable as we think?

The resale market has been praised as the sustainable solution for overconsumption and waste. The concept is to buy second-hand items and reduce the production of new goods, thus participating in a circular business model. Fuelled by Gen Z's and millennials' focus on eco-conscious consumerism and the receding inflation, second-hand shopping is proving the biggest shift in retail in recent years.

However, recent research has cast doubt on the sustainability of this market and its impact on production and consumption. With the global resale market expected to almost double by 2027, reaching \$350 billion<sup>1</sup>, experts are questioning whether the rise of the resale market may be doing more harm than good. The act of reselling or donating products directly contributes to the rise in carbon emissions, amplifying the already substantial environmental impact of the retail supply chain, which currently accounts for 25%<sup>2</sup> of global emissions. While circular business models are often seen as beneficial due to their potential to extend product lifespans and reduce emissions from production (which accounts for 70% of total emissions), the situation is not so clear-cut. A recent survey revealed that only 28%<sup>3</sup> of resale buyers would have chosen to purchase a new product if the option to

buy second-hand was not available. This suggests that second-hand goods are often complementary to new goods rather than substitutes. Furthermore, 42%<sup>4</sup> of Gen Z consumers prioritize purchasing items with good resale value, even if they do not actually need them. This perpetuates the continuous cycle of overconsumption and undermines the notion that circular business models inherently minimize waste and environmental impact.

While the resale market offers benefits such as the extended lifespan of used items and promotion of the principles of a circular economy, it is crucial to adhere to certain guidelines to ensure its effectiveness. For instance, maintaining price points that do not encourage overconsumption and creating durable products can be important. Additionally, it's essential not to overlook the recycling option, as there are cases where it may be more appropriate to end the product's lifecycle and proceed with recycling, depending on the specific product and industry. Hence, companies that seek to incorporate reselling into their strategies must adopt a holistic approach, considering their entire environmental impact, from production to consumption to disposal, rather than relying on reselling as the answer to sustainability.

### The dark side of resale

While resale offers a path to an extended lifespan of used items, it's not a clear-cut win for sustainability. The resale market must address some issues that are yet to be resolved, including what to do with items that require repairing or those that remain unsold. Typically, a significant portion of products in resale models eventually end up being donated. For instance, TheRealReal, a significant participant in the second-hand market, allows customers to request the return of their unsold items at their own expense. Alternatively, the items will be donated to a charity chosen by TheRealReal<sup>5</sup>. While donations may initially seem to offer clear sustainability advantages and humanitarian benefits, they come with unintended costs, particularly for developing countries.

To illustrate, developing countries currently account for 71%<sup>6</sup> of the global clothing trade, and the burden of managing the influx of donated items can be challenging and costly for them. Moreover, donations may have a significant adverse effect on local economies as they can affect the growth of local manufacturing industries<sup>7</sup>. For example, in Accra (Ghana), approximately 15 million<sup>8</sup>

used garments from the UK, Europe, North America, and Australia are unloaded every week, flooding the city's clothing market. The fierce competition in these types of markets frequently results in clothes being heavily discounted, which makes it difficult for local merchants to sustain a living. Additionally, around 40%<sup>8</sup> of these products are of such low quality that they end up in a large landfill. Although the landfill in Accra is closed now due to the textiles having caught fire, the influx of clothing has not reduced.

As illustrated by the clothing market in Accra, companies looking to venture into the resale market should consider the entire lifecycle of their products and be transparent about the overall environmental impact of their initiatives. To date, many companies do not provide such information, leading to confusion among consumers and missed sustainability benefits. Unlike financial disclosures, there are no mandatory shared standards for companies' sustainability disclosures<sup>9</sup>. This lack of standardization enables certain fashion brands to refrain from providing specific details about whether or how their newly introduced resale programs will effectively reduce their brand's overall environmental impact. For instance, one retailer launched a vintage and renewal range, but research shows that less than 8% of the products are actually from this vintage and renewal range, with the remaining 92% being new products on their website.

In addition to end-of-life issues, reselling may not necessarily result in a reduction of new product manufacturing, which is crucial for a sustainable future. Instead, consumers can now buy more for less second-hand, complementing rather than reducing consumerism.

“The production of new apparel has real environmental impacts, and while we are working tirelessly to reduce these impacts through material and supply chain innovation, we know the best thing we can do is make less new”

Asha Agrawal<sup>10</sup>

“If they're not changing their business model, [adding resale] is not actually more sustainable. The consumer can be more sustainable as an individual, but if every brand is still just generating more and more new stuff every year, that's not actually changing anything,”

Nicole Bassett, co-founder of The Renewal Workshop<sup>10</sup>.

Hence, resale can only be one part of the solution, experts agree. It is up to companies to take accountability for how they handle their products. It is their responsibility to handle their products properly. The resale platform Worn Wear, from a notable sustainable brand, aims to “absolutely” substitute the production of new products in the future.

However, even prominent leaders in sustainability are not exempt from shortcomings. Recent investigations by Follow The Money expose a disconcerting reality: an eminent retailer of outdoor recreation clothing produces certain items in factories shared with fast-fashion giants such as Primark and Zara, where workers endure similar harsh conditions. This serves as a powerful reminder that it is essential for companies to thoroughly examine their entire supply chain, ensuring that ethical practices extend beyond environmental considerations to encompass the fair treatment and well-being of workers.

## The emergence of three common resale business models

As reselling gains popularity, companies are exploring new business models to capitalize on the market's growth and appeal to the new wave of eco-conscious consumers. The three main models that have emerged

are the buy-back, consignment, and marketplaces<sup>11</sup>.

In the **first model**, companies utilize a **buyback program** as a part of their own resale market strategy, which enables their customers to sell back their used products to the company in exchange for store credit or cash. This model incentivizes repeat purchases and fosters customer loyalty while ensuring control over the supply chain, branding, and customer experience. Furthermore, this approach can have a positive impact on both people and the planet as it offers convenient methods for recycling and waste reduction, and also extends the lifespan of products up to 2 times. In addition to fashion brands like Lululemon, which has launched its “Like New” program<sup>12</sup>, the car industry is also known to utilize buyback programs. These programs enable car owners to trade in or sell their vehicles to a dealership in return for credit for purchasing a new car. Governments and policy makers play a crucial role in driving these programs, particularly in removing older, polluting cars from the road and ensuring their proper dismantling and disposal<sup>13</sup>.

The **second model** involves a consignor providing their products to a consignee for resale. The consignor maintains ownership of the products until they are sold, and the consignee can sell them on a commission basis. Overall, the **consignment resale model** can be a mutually beneficial arrangement for both parties. For instance, luxury brand Gucci frequently collaborates with popular third-party resale platform The RealReal to reach a wider audience and generate additional revenue. In return, The RealReal enhances their product selection and generates revenue through commission-based sales<sup>14</sup>. Aside from financial gains, this model promotes the circular economy by prolonging the average product lifespan up to 1.7 times, based on the average duration of second-hand ownership.

The **third model** involves **online marketplaces** acting as intermediaries to facilitate transactions between buyers and sellers. Platforms like Vinted and Marktplaats are examples of such marketplaces, which differ from the second model in that they do not take a commission on each sale. Instead, they earn profits from advertising. This model is perfect for peer-to-peer reselling, although users can also resell without using a platform by going through personal channels or social media. Like the consignment resale model, marketplaces have the potential to promote sustainability

“When you think about the fact that about 70 per cent of emissions come from creating and consuming an item, and then layer on how complicated it is to reinvent supply chains, resale is a proven ready-to-go, scalable solution to mitigate fashion’s footprint”.

Allison Sommer, Director of Strategic Initiatives at The RealReal<sup>10</sup>

through the extension of product lifecycles and waste reduction. However, the impact of resale through marketplaces on the planet is complex and can depend on various factors, including the transportation methods used and the overall culture of consumption encouraged by the marketplace.

## Building the future of resale:

There are 5 productive and cost-effective strategies that can propel companies towards lower emissions and towards counteracting their hidden supply chains.

First of all, resellers should **prioritize transparency of their emissions by means of tracking** and setting targets. Fashion generates over 1.2 billion tons of greenhouse gas emissions (GHG) every year, which accounts for 4% of global GHG emissions. Research shows that companies can improve their emission output if they switch from planes to ships for transport. Currently, 17% is air transport and 83% is sea transport. A transition to 90% sea and 10% air transport could reduce GHG emissions by 39 million tons<sup>15</sup>. Companies that make this transition need to cater to eco-conscious consumers who are willing to wait longer for their packages.

Secondly, resellers can take steps to ensure that the items they sell are

### **sustainably sourced and made from environmentally friendly materials.**

Companies must work together with their value chain partners to support the transition to renewable energy, from decarbonizing material production to minimizing waste in the manufacturing process. Given that production and processing activities impact the environment the most, it is essential that companies prioritize efforts to reduce emissions upstream. Collaboration in the field of energy transition will not only reduce their carbon footprint but can also improve the sustainability of their supply chains, ultimately contributing to a more circular industry.

Thirdly, companies must **shift their focus from traditional volume-driven measures** of success and seek out new sources of value. As regulators and investors increasingly mandate strong Environmental, Social, and Governance (ESG) value propositions<sup>16</sup>, it is evident that successful companies must rethink their metrics of success. Rather than prioritizing mass resale and fast turnover, companies should prioritize high-quality, durable products. By doing so, they can attract a new wave of customers who are willing to pay a premium for products that have a reduced environmental impact. There are several options available to do so, such as offering repair and refurbishment services to extend the lifespan of products. This not only creates new revenue streams but also minimizes waste. Another viable business model is transitioning from an ownership model to a usership model, such as providing leasing services for electronics or rental services for clothing. This approach encourages businesses to design long-lasting products, as leasing durable items becomes economically advantageous. By shifting the focus away from volume, resellers can distinguish themselves from competitors and appeal to the growing segment of consumers who prioritize sustainability. This positions them well to thrive in an economy that is transitioning towards a more circular and sustainable model.

Fourthly, it is crucial to **establish closed-loop supply chains** as a means of minimizing waste and addressing end-of-life issues. It is essential to implement solutions that leave no room

for uncertainty regarding the product's destination and the path it takes if the reseller is unable to find a new buyer. By promoting transparency and accountability throughout the supply chain, significant strides can be made towards a more sustainable future. A crucial aspect of tackling end-of-life issues is considering whether reselling is the best option to begin with. In certain cases, recycling may be more appropriate than reselling, particularly for products like electronics with low energy efficiency ratings. Reselling such products may inadvertently promote the use of environmentally harmful goods. By responsibly completing the product's life cycle, businesses actively contribute to closing the loop, effectively preventing certain items from ending up in landfills or being used in manners that harm the environment.

Lastly, adopting a **local supply chain approach** can significantly reduce transport emissions associated with the resale market. Encouraging consumers to purchase, and platforms to sell locally, can eliminate the need for long-distance transportation of goods. Another approach is to resell products through local channels rather than global platforms, which not only reduces the environmental impact but also bolsters local economies and promotes sustainable consumption behaviours.

## In conclusion

In conclusion, creating a sustainable future requires the commitment and collaboration of all stakeholders, from brands and suppliers to policy makers and consumers. While the resale market may not be a perfect solution, it can be a part of a sustainable approach to reducing waste and promoting a circular economy. Companies must approach reselling holistically, considering the entire supply chain, from production to consumption to disposal. Amongst others, this involves making a conscious choice between repairing, reselling, and recycling. It is important for companies to promote transparency and collaborate with others to achieve the best possible outcomes for economic, social, and environmental value. With the right strategies and business models in place, companies can participate in the resale market while minimizing negative impacts and maximizing the benefits of a more sustainable future.

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